H. E. Nichols

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OIL DEVELOPMENT

FOR THE GREATEST GOOD OF THE GREATEST NUMBER

No. 15 in a series of pamphlets on Alberta Government Services.

Government of the
PROVINCE OF ALBERTA

FOR THE GREATEST GOOD OF THE GREATEST NUMBER

The Alberta Government has consistently followed a policy designed to assure the orderly development of our oil resources in the best interests of the people of Alberta and the nation as a whole.

Natural resources are of no value to society unless they are developed and put to use. Your Provincial Government has dedicated itself to assure that Alberta's oil resources are used intelligently .

Five major points are embodied in the Alberta Government's oil policy. Your Provincial Government is committed to adhere to these points of policy and will follow them without deviation.

1. To take all reasonable steps necessary to encourage orderly development to meet the ever-increasing demand for petroleum products and to make Canada less dependent on other countries for these essential products.
2. To insist that all development is carried on according to the best known engineering practices, thereby preventing waste and assuring the greatest ultimate recovery.
3. To establish prospecting and leasing regulations designed to effectively prevent monopoly, and encourage individual enterprise. Only by the existence of wholesome rivalry where free and competitive enterprise is carried on, can we expect to get the most active development.
4. To obtain for the people of the Province as a whole, a fair share of the returns resulting from the production of oil.
5. To assure to the owner of surface rights fair and generous treatment

in determining and awarding full and proper compensation for any loss, damage and inconvenience.

The magnitude of the investment which private enterprise is making into the search for oil in Alberta is reflected by the more than $200,000,000 which was spent on exploration and development in 1951. In 1950, the total spent was $150,000,000; in 1949, $100,000,000 and in 1948, $50,000,000.

Your Provincial Government guarantees that the citizens of Alberta will always receive a fair share of the returns resulting from the development of the Province's oil resources. One-third of your Alberta Government's revenue comes from oil and natural gas development; in 1951, this amounted to $40,000,000; in 1948 approximately $6,500,000.

This revenue is allocated to capital expenditures and debt reduction, expenditures which are both an immediate benefit to the people of our Province and a guarantee of continued progress and development of the Province as a whole in the future.

The following summary indicates the amount of revenue received from the development of our oil resources in comparison with the amounts allocated to capital construction and debt retirement since 1948 when this policy was adopted. The total yearly revenues shown in the table include only the government revenue from royalties and sale of leases; revenues from rentals are not included;

Revenue From Oil Development

1948-49	$ 10,340,000	
1949-50	26,550,000	
1950-51	32,768,000	
1951-52	20,262,000	(Actual to Dec. 31-51)
1952-53	22,300,000	(Estimated)
	$112,220,000	

Expenditure on Capital Construction:

1948-49	$ 16,790,000	
1949-50	16,757,000	
1950-51	23,326,000	
1951-52	21,242,000	(Actual payments to Dec. 31-51)
1952-53	32,914,000	(Estimated)
	$111,029,000	
Funded Debt Retirement for same period	26,650,000	
	$137,679,000	

It will be noted that funds allocated for Capital construction and debt retirement during the five-year period amounted to $137,679,000 and exceeded by $25,459,000 the revenue received during the same period from the development of our oil resources.

The Main Supplier of Canada's Oil

Approximately 96 percent of Canada's total oil production is provided from the oil fields of Alberta. The increasing importance of Alberta as the main supplier of Canada's oil needs is more impressive when it is considered in relation to the large and steady increase in Canadian consumption of oil products. Between 1946 and 1951, the demand for oil products in Canada rose 85 percent. Between 1951 and 1955, this demand is expected to increase by 35 percent. Canada now is second only to the United States in consumption of oil products and the consumption of oil in this country is now one gallon a day for every man, woman and child.

This year total Canadian demand for oil is 455,000 barrels a day, of which

Alberta is estimated to supply 170,000 barrels a day. Can Alberta continue to meet the steady increase in demand? The answer is indicated in the total proven reserves of crude oil, estimated by the Petroleum and Natural Gas Conservation Board, to be 1,365,000,000 barrels as of June, 1952. American experience has been that slightly over eight percent of reserves at the start of a year are withdrawn during that year. Applying the same percentage to Alberta's proven reserves, 108,480,000 barrels per year —or approximately 297,000 barrels a day would be available.

The average demand for Alberta crude during 1952 to supply the Prairie Provinces and the Ontario market is 162,000 barrels per day. If the Trans Mountain Pipeline were ready to operate now, Alberta could continue to serve the eastern market of 162,000 barrels daily, provide an additional 38,000 barrels daily for British Columbia, and still have 40,000—75,000 barrels daily available from the Pacific Coast terminal of Trans Mountain Pipeline.

With the present intense exploration effort, adding materially to the size of proven reserves, it is evident that the Province will be available to supply sufficient oil through the Trans Mountain Pipeline to serve British Columbia as well as to make up any shortage in Pacific Coast oil supplies.

Alberta's oil industry may grow to rival agriculture in importance. It is a major factor contributing to the tremendous increase in our Province's population. Our growing oil industry, together

with the associated increase in population of our Province and the income of our people, has greatly stimulated the construction of housing and distributing facilities.

The economic benefits of Alberta's oil production is shared by the whole of Canada. Replacement of American oil imports by domestic oil production has enabled large savings in American dollars and has been a major factor in raising the value of the Canadian dollar and thus reducing the cost of American imports.

Alberta oil development has meant savings for the citizens of our Province, the West, and the whole of Canada. In 1951, reduced prices for petroleum products freed $75,000,000 in the Prairie Provinces alone for spending on other goods and services.

Oil has provided jobs for our people. In 1951, an average of 8,000 persons were employed by the Alberta oil industry at an annual pay roll of $26,630,000. The increased prosperity of our cities, due to oil development, has meant improved local markets for the produce of our farms. In addition, the oil industry, in all phases of its operations, has, by municipal taxes, contributed materially to the taxation revenue of many municipalities.

The following table shows the invested capital, net profit and percentage of profit to capital of oil companies operating in Canada compared to oil companies operating in the United States, the Middle East and Venezuela.

INVESTED CAPITAL AND NET PROFIT DATA—MIDDLE EAST, VENEZUELA, U.S.A. AND CANADA OIL COMPANIES

Invested Capital	1950	Average
Middle East	$ 1,228,000,000	$ 902,000,000
Venezuela	1,742,000,000	1,349,000,000
30 U.S. Companies (1)	12,599,000,000	10,143,000,000
5 Companies operating in Canada (2)	478,000,000	339,000,000
Net Profit (3)		
Middle East	286,000,000	223,000,000
Venezuela	317,000,000	262,000,000
30 U.S. Companies	1,415,000,000	1,185,000,000
5 Companies operating in Canada	47,000,000	33,000,000
Percent Profit to Capital	**Percent**	**Percent**
Middle East	24	25
Venezuela	18	19
30 U.S. Companies	11	12
5 Companies operating in Canada	10	10

(1) *Account for 52 percent of production and 58 percent of refinery runs in U.S.A.; foreign operations excluded.*

(2) *Only substantial operators publishing annual statements and in a profit position are included. They are: Imperial Oil Limited, British American Oil Company, Ltd., McColl-Frontenac Oil Co., Ltd., Royalite Oil Company Ltd., and Home Oil Co. Ltd.*

(3) *After income taxes on corporate income. U.S. Income Taxes on dividends received by U.S. parent corporations not deducted.*

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